

HONORABLE CHRISTOPHER M. ALSTON

HEARING DATE: WEDNESDAY, JUNE 1, 2016

HEARING TIME: 9:30 A.M.

LOCATION: SEATTLE, COURTROOM 7206

RESPONSES DUE: AT TIME OF HEARING

UNITED STATES BANKRUPTCY COURT  
WESTERN DISTRICT OF WASHINGTON

In re

SKAGIT GARDENS, INC. *et al.*<sup>1</sup>  
3100 Old Highway 99 South  
Mount Vernon, WA 98273  
80-0161154,

Debtors.

Lead Case No. 16-12879

DECLARATION OF HANNAH  
SCHMIDT IN SUPPORT OF MOTION TO  
USE CASH COLLATERAL

HANNAH SCHMIDT declares as follows:

1. I am a Certified Public Accountant (“CPA”), a Certified Insolvency and Restructuring Advisor (“CIRA”), and have worked with Hamstreet & Associates, LLC since 2009 working with companies in numerous out-of-court restructuring and Chapter 11 cases. I have served as a Chief Restructuring Officer and as an interim Chief Financial Officer to various companies during this time,

<sup>1</sup> The Debtors are Skagit Gardens, Inc., Skagit RESPE LLC, Skagit TPPSPE LLC, and Skagit Real Estate Holdings, LLC.

DECLARATION OF HANNAH SCHMIDT IN SUPPORT OF  
MOTION FOR USE OF CASH COLLATERAL – Page 1

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1 in addition to providing services as a financial advisor. I have personal knowledge of the facts set  
2 forth herein and am competent to testify to the same.

3 2. Prior to joining Hamstreet & Associates, I worked in public accounting as an audit  
4 manager. Since joining Hamstreet & Associates, I have worked extensively with companies  
5 experiencing financial distress, including many in Chapter 11 cases. I regularly work with companies  
6 and their management to prepare financial projections and detailed cash budget in contexts where  
7 funds are limited.

8 3. I first worked closely with the Skagit Gardens management team during 2014,  
9 spending 4-5 months on site during their restructuring efforts completed during that year, providing  
10 significant financial services and support. During this time, I learned the financial and operational  
11 details of the Company's business in depth. In late 2015, I again began working extensively with the  
12 Company, which has continued uninterrupted to the present. As a result of my past experience, I am  
13 intimately familiar with Skagit Gardens' operations, its finances, its business relationships with  
14 lenders, vendors and suppliers, and the cash flow issues it experiences throughout its year, including  
15 during its busy spring season.

16 4. Specifically, I am extremely familiar with the seasonality issues of the business,  
17 including accounts receivable collections, inventory valuations, customer issues, vendor/supplier  
18 issues, expenses incurred, shipping relationships and costs, license and royalty arrangements, and  
19 other material aspects of the business.

20 5. Attached hereto as Exhibit A is a Cash Budget I was responsible for preparing, in  
21 conjunction with Skagit Gardens' management, to project revenues and expenses, on a cash basis,  
22 during a Chapter 11 bankruptcy case. I worked closely with various members of the management  
23 team to accurately project the revenues and expenses contained in the Cash Budget.

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6. Due to the wet winter and the warm spring, Skagit Gardens has enjoyed a strong growing season with strong sales during 2016, thus far. Its primary challenge has been the lack of working capital available to it due to Aequitas Capital's inability to fund over \$800,000 of the committed \$1,200,000 seasonal line it committed to prior to the season. Nevertheless, the Company's sales have been strong and it is position to continue performing in a manner consistent with the Cash Budget.

7. I declare under penalty of perjury under the laws of the state of Oregon that the foregoing information is true and correct.

Dated this 27<sup>th</sup> day of May, 2016.

/s/ Hannah Schmidt  
Hannah Schmidt

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